



UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

L'OREAL S.A. and
L'OREAL USA, INC.,

Plaintiffs,

v.

THE ESTÉE LAUDER COMPANIES INC.,
ESTÉE LAUDER INC., and
ORIGINS NATURAL RESOURCES INC.,

Defendants.

Civil Action No.: 04-1660 (HAA)

May 27, 2004

JURY TRIAL DEMANDED

DEFENDANTS' ANSWER AND COUNTERCLAIMS

Defendants, The Estée Lauder Companies Inc., Estee Lauder Inc., and
Origins Natural Resources Inc. (collectively "Estee Lauder"), file this Answer and
Counterclaims in response to Plaintiffs L'Oreal S.A. and L'Oreal USA, Inc.'s
(collectively "L'Oreal") Complaint For Patent Infringement ("the Complaint"):

ANSWER

NATURE OF THE ACTION

1. Estee Lauder admits only that the Complaint purports to bring a civil
action for patent infringement. Estee Lauder denies the remaining allegations of
Paragraph 1 of the Complaint.

THE PARTIES

2. Estee Lauder is without knowledge or information sufficient to form a
belief as to the truth of the allegations of Paragraph 2 of the Complaint and accordingly
these allegations are denied.

3. Estee Lauder is without knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 3 of the Complaint and accordingly these allegations are denied.

4. Estee Lauder is without knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 4 of the Complaint and accordingly these allegations are denied.

5. Estee Lauder admits that The Estée Lauder Companies Inc. is a corporation organized and existing under the laws of the state of Delaware, having its principal executive offices at 767 Fifth Avenue, New York, New York 10153. Estee Lauder denies the remaining allegations of Paragraph 5 of the Complaint.

6. Estee Lauder admits that Estee Lauder Inc. is a corporation organized and existing under the laws of the state of Delaware, having its principal executive offices at 767 Fifth Avenue, New York, New York 10153, and that Estee Lauder Inc. is a subsidiary of The Estée Lauder Companies Inc. Estee Lauder denies the remaining allegations of Paragraph 6 of the Complaint.

7. Estee Lauder admits that Origins Natural Resources Inc. is a corporation organized and existing under the laws of the state of Delaware, having its principal executive offices at 767 Fifth Avenue, New York, New York 10153 and that Origins Natural Resources Inc. is a subsidiary of Estee Lauder Inc. Estee Lauder denies the remaining allegations of Paragraph 7 of the Complaint.

8. Estee Lauder admits that Estee Lauder Inc. and Origins Natural Resources Inc. are engaged in the business of selling cosmetic products and have sold such products

in New Jersey and elsewhere in the United States. Estee Lauder denies the remaining allegations of Paragraph 8 of the Complaint.

JURISDICTION AND VENUE

9. Estee Lauder admits only that the Complaint purports to bring an action for patent infringement arising under the Patent Laws of the United States. Estee Lauder denies the remaining allegations of Paragraph 9 of the Complaint.

10. Estee Lauder admits only that L'Oreal purports to invoke the jurisdiction of this Court pursuant to 28 U.S.C. §§ 1331 and 1338(a). Estee Lauder denies the remaining allegations of Paragraph 10 of the Complaint.

11. Estee Lauder admits only that Estee Lauder Inc. and Origins Natural Resources Inc. have sold cosmetic products in this judicial district. Estee Lauder denies the remaining allegations of Paragraph 11 of the Complaint.

12. For purposes of this action only, Estee Lauder does not contest that this Court has personal jurisdiction over Estee Lauder. Estee Lauder denies the remaining allegations of Paragraph 12 of the Complaint.

13. For purposes of this action only, Estee Lauder does not contest that venue is proper in this judicial district. Estee Lauder denies the remaining allegations of Paragraph 13 of the Complaint.

FIRST COUNT FOR PATENT INFRINGEMENT

14. Estee Lauder admits that United States Patent No. 6,716,420 B2 (the "420 patent") was issued on April 6, 2004, is entitled "Methods of Use and of Making a Mascara Comprising at Least One Coloring Agent and at Least One Heteropolymer," and

that a copy of the '420 patent is attached to the Complaint as "Exhibit A." Estee Lauder denies the remaining allegations of Paragraph 14 of the Complaint, and in particular that the '420 patent was duly and legally issued.

15. Estee Lauder is without knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 15 of the Complaint and accordingly these allegations are denied.

16. Estee Lauder is without knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 16 of the Complaint and accordingly these allegations are denied.

17. Estee Lauder denies the allegations of Paragraph 17 of the Complaint.

18. Estee Lauder admits that subsequent to April 6, 2004, the issue date of the '420 patent, one or more of Estee Lauder Inc's subsidiaries, divisions or affiliates has made, offered to sell, sold and/or imported in the United States mascaras marketed under the trademark "Pure Drama MagnaScopic Maximum Volume Mascara," and the trademark "Full StoryTM Lush-lash Mascara." Estee Lauder denies the remaining allegations of Paragraph 18 of the Complaint.

19. Estee Lauder admits that copies of ingredient labeling from samples of mascaras marketed under the trademarks "Pure Drama MagnaScopic Maximum Volume Mascara" and "Full StoryTM Lush-lash Mascara" are attached to the Complaint as "Exhibits B and C." Estee Lauder denies the remaining allegations of Paragraph 19 of the Complaint.

20. Estee Lauder denies the allegations of Paragraph 20 of the Complaint.

SECOND COUNT FOR PATENT INFRINGEMENT

21. Estee Lauder incorporates by reference Paragraphs 1-20 of this Answer as if fully set forth herein, in response to Paragraph 21 of the Complaint.

22. Estee Lauder denies the allegations of Paragraph 22 of the Complaint.

23. Estee Lauder denies the allegations of Paragraph 23 of the Complaint.

24. Estee Lauder denies the allegations of Paragraph 24 of the Complaint.

**DAMAGES AND OTHER HARM
ALLEGED TO HAVE BEEN SUFFERED BY PLAINTIFFS**

25. Estee Lauder denies the allegations of Paragraph 25 of the Complaint.

26. Estee Lauder denies the allegations of Paragraph 26 of the Complaint.

PLAINTIFFS' PRAYER FOR RELIEF

Estee Lauder denies that L'Oreal is entitled to the relief requested in Paragraphs 1-7 of L'Oreal's Prayer for Relief or to any other relief.

FIRST AFFIRMATIVE DEFENSE – FAILURE TO STATE A CLAIM

L'Oreal has failed to state a claim upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE – PATENT INVALIDITY

Each and every claim of the '420 patent is invalid under at least 35 U.S.C. §§ 101, 102, 103 and/or 112.

THIRD AFFIRMATIVE DEFENSE – NONINFRINGEMENT

Estee Lauder has not infringed, contributorily infringed, or induced the infringement of any valid claim of the '420 patent, either literally or under the doctrine of equivalents.

Estee Lauder has not willfully infringed, contributorily infringed or induced the infringement of any valid claim of the '420 patent, either literally or under the doctrine of equivalents.

FOURTH AFFIRMATIVE DEFENSE – PROSECUTION HISTORY ESTOPPEL

Under the doctrine of prosecution history estoppel, L'Oreal is not entitled to assert a claim scope broad enough to encompass any method or product made, used, offered for sale, sold and/or imported by or on behalf of Estee Lauder due to the limiting nature of representations and amendments and surrender of subject matter made during prosecution of the '420 patent in order to convince the Patent Office to issue that patent.

RIGHT TO ASSERT ADDITIONAL DEFENSES

Estee Lauder's investigations into the allegations set forth in L'Oreal's Complaint are ongoing and discovery has not yet commenced. Estee Lauder expressly reserves the right to assert and pursue additional defenses.

ESTEE LAUDER'S COUNTERCLAIMS

1. Counterclaim plaintiff The Estée Lauder Companies Inc. is a corporation organized and existing under the laws of the state of Delaware, having its principal executive offices at 767 Fifth Avenue, New York, New York 10153.

2. Counterclaim plaintiff Estee Lauder Inc. is a corporation organized and existing under the laws of the state of Delaware, having its principal executive offices at 767 Fifth Avenue, New York, New York 10153.

3. Counterclaim plaintiff Origins Natural Resources Inc. is a corporation organized and existing under the laws of the state of Delaware, having its principal executive offices at 767 Fifth Avenue, New York, New York 10153.

4. The mascara products that are the subject of the Complaint in this action are the result of independent research and development conducted by, or on behalf of, one or more of Estee Lauder Inc.'s subsidiaries, divisions or affiliates. These mascara products are covered by U.S. Patent No. 6,497,861 B1 (the "'861 patent'"), entitled "Stable Cosmetic Emulsion with Polyamide Gelling Agent" and assigned to a subsidiary of Estee Lauder Inc. The '861 patent issued on December 24, 2002 and thus predates L'Oreal's U.S. Patent No. 6,716,420 B2 (the "'420 patent'") by more than a year. In addition, these mascara products are covered by U.S. and foreign patent applications related to the '861 patent and assigned to a subsidiary of Estee Lauder Inc.

5. On information and belief, counterclaim defendant L'Oreal S.A. is a French corporation, having its principal place of business at 14, rue Royale, 75008 Paris, France.

6. On information and belief, counterclaim defendant L'Oreal USA, Inc. is a corporation organized and existing under the laws of the state of Delaware and is a wholly owned subsidiary of L'Oreal S.A., having its corporate offices at 575 Fifth Avenue, New York, New York 10017 and additional offices located in the state of New Jersey.

7. On information and belief, L'Oreal S.A. alleges to be the owner of the '420 patent, and L'Oreal U.S.A., Inc. alleges to be the exclusive licensee under the '420 patent.

8. These counterclaims are for declaratory judgment relief arising under 28 U.S.C. §§ 2201 and 2202, and the patent laws of the United States, 35 U.S.C. § 101 et seq.

9. Subject matter jurisdiction is proper under 28 U.S.C. §§ 1331, 1338(a), and 1367.

10. Venue in this district is proper for Estee Lauder's counterclaims under 28 U.S.C. § 1391(b), (c) and (d).

COUNT I
DECLARATORY JUDGMENT OF
NONINFRINGEMENT OF THE '420 PATENT

11. Counterclaim plaintiffs The Estée Lauder Companies Inc., Estee Lauder Inc., and Origins Natural Resources Inc. (collectively "Estee Lauder") incorporate by reference the allegations made in their Affirmative Defenses and in Paragraphs 1-10 of their Counterclaims above.

12. Without prior notice, written or otherwise, counterclaim defendants L'Oreal S.A. and L'Oreal U.S.A., Inc. (collectively "L'Oreal") filed a Complaint against Estee Lauder in the United States District Court for the District of New Jersey, alleging that Estee Lauder has infringed, contributed to the infringement of and induced the infringement of the '420 patent. L'Oreal S.A. and L'Oreal U.S.A., Inc. v. Estee Lauder

Companies Inc., Estee Lauder Inc., and Origins Natural Resources Inc., Civil Action
No.: 04-1660 (HAA).

13. An actual controversy exists between Estee Lauder and L'Oreal over the alleged infringement of the '420 patent.

14. Estee Lauder has not infringed, contributorily infringed, or induced the infringement of any valid claim of the '420 patent, either literally or under the doctrine of equivalents.

15. Estee Lauder has not willfully infringed, contributorily infringed, or induced the infringement of any valid claim of the '420 patent, either literally or under the doctrine of equivalents.

COUNT II
DECLARATORY JUDGMENT OF
INVALIDITY OF THE '420 PATENT

16. Estee Lauder incorporates by reference the allegations made in its Affirmative Defenses and in Paragraphs 1-15 of its Counterclaims above.

17. An actual controversy exists between Estee Lauder and L'Oreal over the invalidity of the '420 patent.

18. All claims of the '420 patent are invalid in light of the failure to comply with one or more requirements of at least 35 U.S.C. §§ 101, 102, 103 and/or 112.

RIGHT TO ASSERT ADDITIONAL COUNTERCLAIMS

Estee Lauder's investigations into the allegations set forth in L'Oreal's Complaint are ongoing and discovery has not yet commenced. Estee Lauder expressly reserves the right to assert and pursue additional counterclaims.

PRAYER FOR RELIEF

For the reasons set forth above, Estee Lauder prays for the Court's judgment that:

- a) the '420 patent is invalid and each claim of the '420 patent is invalid;
- b) Estee Lauder has not infringed, contributorily infringed, or induced the infringement of any claim of the '420 patent;
- c) L'Oreal's Complaint be dismissed with prejudice;
- d) L'Oreal takes nothing by reason of its claims against Estee Lauder;
- e) this case is exceptional and entitles Estee Lauder to an award of its costs, expenses and attorneys' fees under 35 U.S.C. § 285; and
- f) Estee Lauder be granted such other and further relief at law or equity as the Court may deem just and proper.

DEMAND FOR JURY TRIAL

Estee Lauder demands trial by jury on all counterclaims and issues triable by jury.

Respectfully submitted,

By: s/David L. Harris

Gregory B. Reilly (GBR 3657)
David L. Harris (DLH 3391)
Lowenstein Sandler PC
65 Livingston Avenue and
6 Becker Farm Road
Roseland, New Jersey 07068-1791
(973) 597-2378 (Telephone)
(973) 597-2379 (Facsimile)
dharris@lowenstein.com

John E. Nathan (JN 4935)
Catherine Nyarady (CN 1198)
Kripa Raman (KR 8661)
Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019-6064
(212) 373-3000 (Telephone)
((212)757-3990 (Facsimile)

Attorneys for Defendants,
The Estée Lauder Company Inc.
Estee Lauder Inc. and
Origins Natural Resources Inc.

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